Eliminating Regulatory Barriers:
A Balancing Act

On December 9, 1994, the Longmont Times-Call reported, “The (Longmont) City Council on Tuesday hailed a new affordable housing study as an important first step for both public and private sector attempts at developing moderately priced housing.” The report called for regulatory reform and public-private partnerships to stimulate the construction of affordable housing. The committee’s recommendations included: revision of development regulations, production of homeowner’s resource manual, production of developer’s resource manual, establishment of an affordable housing funding pool. Since the early 90's, Longmont with several other Colorado communities has set the pace in responding to the growing local need for more affordable housing. Later in this report we will profile Longmont’s Affordable Housing Program and the efforts of several other communities.

In Colorado, local governments control the type, number, size, appearance, and location of residential development by regulating land use, building codes, permit fees, and infrastructure requirements. Local development regulations offer a public benefit by responding to health and safety concerns, a community’s development priorities, market conditions, and environmental issues. These regulations often reflect a community’s priorities of how and where they want their community to grow. In responding to the need for increasing affordable housing production, local jurisdictions often perform a delicate balancing act to reconcile the conflicting policy goals that seem to work at cross-purposes.

While directing a community’s growth local regulations can also adversely affect the supply of affordable housing in three general ways. First, they may add ***direct*** cost to housing by imposing particular requirements above and beyond what a developer would provide in an unregulated market. Second, regulations may in some way ***lengthen or delay*** the permitting and approval process for housing, indirectly adding to a developer’s costs by extending the time period for interim financing. Third, regulations can directly ***restrict*** the kinds and amount of new housing that may be built, either by imposing site-specific limitations on new development or by capping the number of new homes.

Defining Regulatory Barriers

Because these regulations may have a dampening effect on the production of affordable housing they take on the moniker of “regulatory barriers”. As mandated by Footnote 131 of House Bill 98-1401 the Division of Housing is required to report on the type and prevalence of local regulatory barriers to affordable housing, the steps taken by the Division of Housing to reduce these barriers and the effectiveness of these actions.

A recent study “Reducing Housing Costs Through Regulatory Reform” prepared by Clarion Associates for the Division of Housing defines regulatory barriers as:

> “... either a deliberate or de facto action that prohibits or discourages the construction of affordable housing without sound reasons directly related to public health and safety; a federal, state, or local statute, ordinance, policy, custom, practice, or procedure that excessively increases the cost of new or rehabilitated housing, either by improperly restricting the location of housing, or by imposing unjustified restrictions on housing development with little or no demonstrated compensating public benefit. *(1)*

The urgency of weighing the public benefit of affordable housing against concerns for public health and safety is borne out in the increasing need for affordable housing.

Five general categories of land use regulations frequently are cited as barriers to the provision of affordable housing. These include: (1) infrastructure financing; (2) zoning and subdivision controls; (3) building codes; (4) permitting and procedural rules; and (5) regulations protecting natural and cultural resources. After each regulatory category a table lists remedies being used by Colorado communities to offset the cost of affordable housing.

Financing Infrastructure

The explosive growth of the last six years has left many communities with inadequate infrastructure to serve future development. Some communities have opted for building moratoriums to allow them to catch their breath, examine their development priorities, and adjust policies accordingly. Other communities have adopted the policy that new development "must pay its own way". They may be appropriate responses to the pressures of rapid development, but both create barriers to constructing new affordable housing.

Impact fees, exactions, and land dedications increasingly are being used to finance new infrastructure. Impact fees are one-time charges for the cost of extending infrastructure, such as new roads and utilities. These charges may also include fees for schools, public services, libraries, and parks. Exactions are conditions on new development that are used to offset the impact on existing infrastructure, such as roads and schools. Land dedications are often required by local jurisdictions to set aside land for new recreational facilities, parks, and trails.

Adding the cost for new public services to the price of housing may be feasible for market-rate housing, but is financially infeasible for housing that restricts rents and profits. Certain of these public amenities can add to the value of market-rate housing: parks, schools, larger lots, and curvilinear streets. However, the value is realized through price appreciation and eventual sale of the property. This increased value runs counter to maintaining housing affordability for an extended time period.

Regulatory Category	Regulatory Requirement	Regulatory Remedies
Infrastructure Financing	Development Impact Fees	Reduced, deferred, waived fees
	Exactions	Reduce or waive requirements
	Land Dedications	Transfer land for greater density
	Rationing of Building Permits	Exempt affordable housing from building moratorium

Zoning & Subdivision Controls

The most visible impact local governments use in residential development is zoning and subdivision control. The primary purpose of zoning restrictions is to separate incompatible land uses. However, zoning regulations can limit the use of the most affordable types of housing, multifamily and manufactured housing, by limiting the amount of land zoned for this purpose. Rapid development has left a limited supply of land zoned for multifamily and manufactured housing. This has created an unforeseen barrier in an increasing number of communities.

Recognizing the increased demand for affordable housing the Colorado General Assembly passed House Bill 97-1093 encouraging local governments to include affordable housing in their master plans. In the context of local land use planning this action places affordable housing on par with other long-term planning considerations such as transportation systems, utility extensions, police and fire services, and economic development priorities. In amending the statutes governing master plans, this law also encourages local governments to examine regulatory impediments to the development of affordable housing.

Since master or comprehensive plans are not required by state statute, the Division of Housing surveyed all municipalities and counties to determine how many local governments had master plans and how many plans already included affordable housing. The results of the July 1997 survey (Exhibit 4) showed that of the 27 counties responding to the survey, 22 adopted master plans and 15 included housing as an element in their plans. Only eight counties had specific policies regarding affordable housing and nine counties had policies dealing with manufactured housing. The number of municipalities surveyed totaled 119. Of this total 94 adopted master plans and 76 included housing as an element. Again, only a small number of communities - - 42, adopted local affordable housing policies and a lesser amount, 31municipalities, have adopted policies supporting manufactured housing. This data establishes a benchmark to compare the inclusion of affordable housing into a community's long-term development plans. It also is a good indicator of how prepared local governments are in planning for the growing demands for affordable housing.

Essential to addressing the state's future need for affordable housing is an inventory of sufficiently zoned land for apartments, manufactured housing, or entry level homes. Without an adequate supply of land zoned for affordable housing land developers will not risk the time delays, the added cost, and the uncertainty of seeking rezoning. Lack of sufficient land creates an insurmountable development barrier.

Regulatory Category	Regulatory Requirement	Regulatory Remedies
Zoning/Subdivision Controls	Restricted multifamily/ manufactured housing zoning	- Award density bonus for affordable housing - Increase supply of appropriately zoned land
	Standard house & lot size	Reduce specifications
	Prohibition of accessory dwelling units	Allow limited use of accessory units
	Excessive subdivision standards	Limit standards for public works improvements for streets, sidewalks, landscaping, etc.

Building Codes

A third type of regulation likely to affect a community's supply of affordable housing is the local building code. The building code serves the most important public purpose of health and safety. Building codes govern the use and installation materials and the design standards for the building and the surrounding land. A local building code plays a vital role in protecting not only the occupants of the building but also its long term value. Without this insurance of quality from the local government very few lenders would lend money for up to 30 years and risk that the property hold its value during this time period.

Of the local governments in Colorado that have local building codes all have some version of the Uniform Building Code (UBC), but the uniformity ends there. Each year the UBC modifies its standards. So, the standards followed by the local government depend on when the local government adopts their code. Further complicating the uniformity of these standards, local governments routinely modify the UBC to meet local building conditions. Builders are able to save on construction cost by using similar designs, but significant variations in local codes can inflate the construction cost by adding time and redesign expense to each new project.

Regulatory Category	Regulatory Requirement	Regulatory Remedies
Building codes	Mechanical codes	Allow innovative design standards and efficient mechnical systems
	Material specifications	Alternative building materials

Permits & Procedures

Luckily Colorado's recent growth spurt occurred during a period of declining interest rates - - historically, the lowest interest rates in 30 years. This is significant when considering the amount of time it takes a developer to apply to and receive approval for building permits, final plats, or a vested interest in the property. Lengthy and open-ended permit approval procedures may add months or years to the time it takes to approve a typical subdivision or apartment complex, which translates into additional money needed by the developer and builder to cover higher interest costs in carrying the land. Time delays also add to the cost of securing contractors in many of the state's smaller communities. With a limited number of trades people in certain markets time delays can add to the uncertainty of contracting with builders. Extended time periods can cause contractors to opt for more secure projects which necessitates a higher cost for labor.

The permitting process can be expensive in terms of fees and time. Fees can be charged for issuance of valid building, electrical, plumbing, heating, and gas permits. In addition to the fees related to safety inspections, fees are charged for more general reasons such as community investment fees, public buildings investment fees, energy code calculation fees, wireless antenna fees, parkland acquisition fees, to name a few. Based on our survey of local governments the review time for permit applications can range from less than four months to more than one year.

Regulatory Category	Regulatory Requirement	Regulatory Remedies
Permitting and Procedures	Complicated fee schedule	Simplify schedules
	Open-ended review timeline	Publicize average review times
	Multiple approval process	Simultaneous reviews

Environmental & Cultural Protection

Each of the previous regulatory categories originate with local governments. In the case of environmental and cultural resource protection the statutes and regulations originate with the federal government. The Clean Water Act, the Endangered Species Act, the National Environmental Policy Act, and the National Historic Preservation Act are the most prevalent of federal environmental statutes encountered when developing or redeveloping affordable housing. Such statutes tend to require significant amounts of time and/or money for compliance, because of their unpredictability and because of their poor coordination with each other and with state and local programs. They also lack any standard dispute resolution process, other than federal courts. *(2)*

The cost of mitigating impacts with the Clean Water Act and the Endangered Species Act often is reason not to proceed with development. The process for complying with the Environmental Policy Act and the Historic Preservation Act are not as costly. Recent examples of the impact of these statutes on development include the inclusion of the Preble's Meadow Jumping Mouse on the Endangered Species list. The area potentially impacted stretches along the Front Range from Colorado Springs north to Cheyenne, Wyoming. Because the U.S. Fish and Wildlife Service decided to list the Preble's Mouse on the "threatened" list, actions taken that may adversely affect the mouse's habitat will be subject to federal regulations and need federal approval before proceeding. Other federal statutes are not as onerous and actions such as mitigating flood plain development, preservation of historic buildings, and lead base paint remediation rely more on state or local procedures.

Until the recent rise in equity markets, real estate was the single largest asset owned by Americans. The housing industry is one of the most regulated industries in our country. Beyond the land use regulations enacted by local governments, housing is subject to a series of indirect controls that are a determinant of cost. These indirect controls include interest rates, labor rates, lending practices, state and federal tax codes, and societal attitudes.

Regulatory Category	Regulatory Requirement	Regulatory Remedies
Resource Protection	Historic preservation	Advanced identification of properties
	Water resource protection	Zone acceptable land in advance
	Nat'l Environmental Policy Act	Local or regional review process
	Endangered Species Act	Preliminary habitat assessments

"Type & Prevalence of Local Regulatory Barriers"

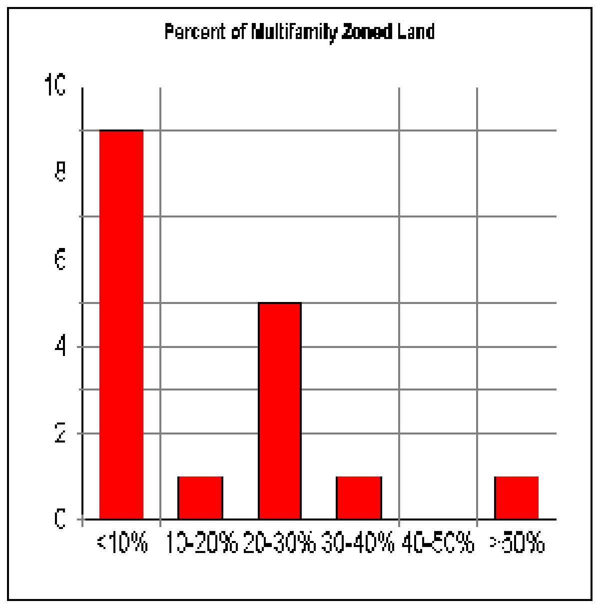
Two surveys were conducted by the Division of Housing in cooperation with the Colorado Municipal League and Colorado Counties, Inc. to determine the "type and prevalence" of local regulatory barriers to affordable housing. Attached to this report for reference are Exhibit 1: Colorado Division of Housing Survey of Local Land Use Regulations; Exhibit 2: the Division's Survey of Local Government Development Fees; and Exhibit 3: a list of the units of government surveyed by the Division of Housing for both surveys.

A Survey of Land Use Regulations

Twenty-two municipalities and 19 counties were included in the first survey, the Survey of Local Government Land Use Regulations. This survey focused on four of the five regulatory categories earlier defined: zoning and subdivision controls, building codes, permit review process, environmental mitigation. At least one city and county from each of the state's 14 regional planning districts were selected to survey. In addition, six cities from the following three population categories (25,000 to 50,000; 50,000 to 100,000; and 100,000+) were surveyed along with their county. This provides a representative sampling by size and location.

The first section of the survey examined the zoning and subdivision controls enforced in residential development. Fundamental to an efficient marketplace response to housing development opportunities is the availability of appropriately zoned land. Our survey asked local governments to estimate the amount of land zoned for residential purposes for other than single-family detached homes. As expected, the results show that the largest supply of multifamily zoned land is in municipalities. For municipalities the percent of multifamily zoned land ranges between 10% to 30% of all residential land. Counties regardless of location have less than 10% of their land inventory zoned for multifamily or duplexes. This includes urban counties along the Front Range.

Over 55% of the communities surveyed estimated that the duration of their land use approval process - - the review period from initial application to final plat- ranged between one to four months. Only 10% of the communities exceeded a review period greater than one year. The length of the land use approval process is critical to developers. Extended reviews can increase the amount of interest developers pay for interim financing. The interim financing pays for many up-front development expenses such as: land, architectural and engineering cost, market analysis, soil testing. Because profit margins are very limited in constructing affordable housing increased carrying cost for these predevelopment expenses can be the difference in renting apartments at affordable or market rates. Even though a majority of the local governments have estimated review periods less than four months, only 27% of the communities have a set review time limit. Since many affordable housing developers are seeking modification to local regulations to reduce cost, thus extending review periods, this lack of definitive review periods increases the uncertainty of development cost.

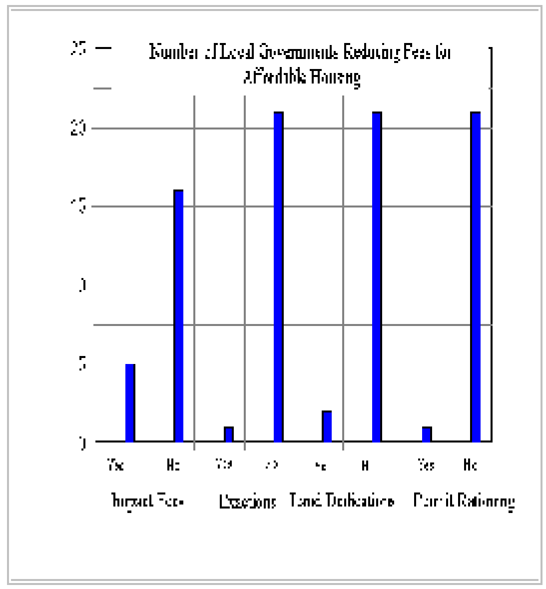


The time and uncertainty of the local rezoning process, particularly for multifamily rezoning, is considered a higher risk than many for-profit developers are able to justify. The risk is far higher when developing affordable housing due to the "Not In My Back Yard" (NIMBY) reaction. Even with strong market demand, land that is not zoned for multifamily development is often not considered for purchase. Although non-profit housing developers can tolerate slightly higher risk their development plans can also be limited in communities without a sufficient percentage of land zoned for multifamily. With the passage of HB 97-1093 local governments are encouraged to examine their master plans and consider their impact on the supply of affordable housing. A local government's long-term perspective on the availability of multifamily zoned land can have a tremendous benefit to offering affordable housing.

The survey results demonstrated that a significant number of communities provide for alternatives to single-family homes (townhomes, condominiums, apartments) without going through a time-consuming and expensive special permit process. However, the results were mixed when communities were asked about their flexibility in allowing developers to increase the housing density (number of units per acre) in exchange for open space or the configuration of housing units on a particular site. Only nine out of 34 communities relaxed zoning or subdivision standards for affordable housing. These relaxed standards included modified building codes, shortened review times, reduced fees, or increased densities.

The greatest concession made for residential development is in construction modifications for both public work improvements and building codes. Examples of public work improvements include the use of right-of-ways for placement of sidewalks and the use of plastic water pipe. Our survey found building code modifications for footings and foundations; concrete flatwork; plastic piping for water supply, drainage, venting, and electrical boxes. However, modifications to codes that may impact health or safety conditions results were mixed. The tendency is to restrict alternatives to fire sprinklers, individual plumbing shutoff values, or floor bridging.

Although public works and building code standards seemed to offer more flexibility than other regulatory categories the methods of infrastructure financing seemed to be the least flexible. The local governments were asked whether requirements for impact fees (24%), exactions (4%), land dedications (9%), or permit rationing (4%) were changed for affordable housing. The financial impact of these provisions can be the difference in whether developers can move forward from the conceptual planning stages of a project or whether developers rule out communities with higher than normal fees. Understanding the importance of the development fee schedules the Division conducted a second survey of development fees charged by municipalities, counties, and special districts.



A Survey of Development Fees

A second survey, the Survey of Local Government Development Fees, identified the type and cost of development fees for municipalities, counties, and water and sanitation districts. This survey measured the fifth barrier - - infrastructure financing. Each of the municipalities and counties surveyed for local regulations were surveyed for local development fees. Added to this survey were 12 water and sanitation districts.

The local governments included in our survey were asked to estimate development fees for a single family home, valued at $100,000, built on a lot of 7,000 square feet. This type of building and the category of fees correspond to an earlier fee survey conducted by the Colorado Municipal League (CML) in 1996 and the most recent 1998 survey. The fee categories included: fees for services, such as water and sewer; impact fees for infrastructure, such as traffic, storm drainage, parks, schools; administrative fees, such as building permits and plan checks; and use taxes on construction materials.

The highest total fee in our survey is $16,529 for the construction of a modest single family home in the City of Boulder. The municipality with the least amount of fees for a similarly priced home is the City of Pueblo. The total fee in Alamosa is $5,515. Generally the smaller municipalities have lower fees, but Pueblo with minimal or no impact fees is the lowest in our survey. Fees in communities with less than 25,000 population range between $6,123 and $10,043. For communities with population between 25,000 and 100,000 fees ranged between $6,345 and $16,529, and for communities with populations over 100,000 the fees range between $5,515 and $15,808.

In some communities the results of our survey differ from the CML survey, because the DOH survey used different sqaure footage for the housing size based on holding constant the $100,000 valuation of the sample home. A $100,000 home in Alamosa could be a 1,700 square foot home, while in Boulder the $100,000 home is not more than 900 square feet. The difference in fees between the Division of Housing and the CML survey reflects this judgment. However, using a single family home as our sample points to the impact fees such as traffic, parks/open space, storm drainage have on a single modest development. Developers building subdivisions could probably justify these expenses based on the impact new residents could have on roads, parks, storm drainage, but these fees are assessed against a $100,000 single-family home.

Development fees in counties are substantially different from the fees charged by municipalities. Water and sewer services in unincorporated areas of counties are often provided by special districts. We recieved fee schedules from 10 of the 12 special districts surveyed. The water and sewer fee is listed under the county they serve. Unlike counties or municipalities, special districts in Colorado are restricted by statute from waiving, deferring, or rebating fees. This has a significant impact on the development of affordable housing in unicorporated areas of urban counties.

County fees in rural portions of the state are minimal compared to fees charged in Colorado's urban centers. County fees range from $4,799 in Alamosa County to $15,351 in Douglas County. There is a correlation between counties that are experiencing rapid growth and the adoption of impact fees for traffic, open space, and other fees. This is evident among the counties located within the Front Range growth corridor. In these areas it is common to expect growth to "pay its own way", which is an antithesis to being able to develop affordable housing.

Developers can estimate the cost of fees through schedules published by the governing jurisdiction. The complexities of these schedules vary widely. Some are to the point, detailing the type of fee and the cost. The best example of this type of schedule is a three page summary of fees provided by the City of Loveland. Another simple format is Las Animas County. Las Animas County provides a list of contact people, phone numbers, office locations and office hours. In contrast, the City of Boulder's fee schedule is 30 pages in length and is extremely complex in its format. Uniformity of these schedules would benefit the housing industry in reducing the time and confusion in estimating the cost of fees.

Reducing Barriers

Setting the Stage

In addition to the previous section of this report, the Joint Budget Committee asked the Division to review the steps it is taking to reduce regulatory barriers, and report on the effectiveness of these efforts. The Division has no statutory authority to require local governments to reduce regulatory costs for affordable housing. Instead, the Division has a two-pronged strategy that relies on technical assistance and financial negotiations. Our technical assistance efforts are designed to inform and educate governments and housing developers about the impact regulations have on the cost of housing. This approach identifies ways local governments can modify regulations to reduce the fiscal impact. Our negotiations are held with local governments and housing developers during the application review of development projects. The objective of these negotiations is to reduce the amount of public subsidy required to make a project feasible, and reduce the cost of regulations and fees.

Technical Assistance

As part of our ongoing technical assistance efforts to local governments, housing developers, and housing authorities the Division has created a series of publications and resources detailing the impact land use regulations have on the cost of housing.

- In 1994, the Division prepared a publication entitled "Lowering the Cost of Housing Development". This matrix was used by DOH to discuss the impact land use regulations have on the cost of affordable housing. The matrix was an easy-to-use reference guide for local governments which offered alternatives to existing policies governing residential development.

- Following the passage of HB97-1093 the Division of Housing conducted a survey of municipalities and counties concerning the content of their comprehensive plans. The survey results provided a benchmark for the Division to measure the efforts of local governments to include affordable housing in their comprehensive plans. A copy of the survey results are attached as Exhibit 4.

- Following this survey the Division prepared a handbook for local officials entitled "Housing Colorado: A Guide For Local Officials". The purpose of this publication was to encourage local elected officials to weigh the economic, social, and political impacts of developing affordable housing. The publication gives local elected officials the technical tools to evaluate local market conditions, maximize the development potential of their housing authorities, modify development regulations to reduce the financial impact on housing, and assess the adequacy of their housing supply. This publication is made available by the Division through local workshops conducted by DOH staff. In the past 18 months, approximately 70 city councils, planning commissions, or county commissions have received this publication along with a staff presentation. We believe that the time spent with local officials increasing their understanding of the dynamics of affordable housing development corresponds to the high level of production in these jurisdictions.

- In June 1998, the Division published a handbook entitled "Reducing Housing Costs Through Regulatory Reform". The handbook was prepared by Clarion Associates, a national real estate and land use consulting firm. The handbook will be used by the Division to work with local governments revising their local land use ordinances to encourage affordable housing development. The handbook's primary value to local governments and housing developers is a methodology to assess the regulatory cost against the benefits of affordable housing. Even before we formally released this publication reviews were very favorable. We are in our second printing having distributed over 300 copies. The publication has already been recognized as the "1998 Publication of the Year" by the Colorado Chapter of the American Planning Association. Starting in early 1999, we plan to offer one-day seminars using the publication to demonstrate the cost and benefit of using regulatory reduction to encourage affordable housing production.

Negotiations

A profile of the Division's effort to negotiate regulatory concessions with local governments during review of individual housing proposals is summarized in Exhibit 5. This summary reflects the results since the beginning of FY 1998. As stated earlier these negotiations are part of a more comprehensive DOH policy to limit the amount of public subsidy invested in each project. We do not have a statutory or regulatory mandate to reduce regulatory burden. Rather our project cost savings are taken not only from government fee reductions or regulatory concessions, but also reduced construction, land, and operating cost. The Division's negotiations have resulted in reducing the total project cost, regulatory burden, and public subsidy.

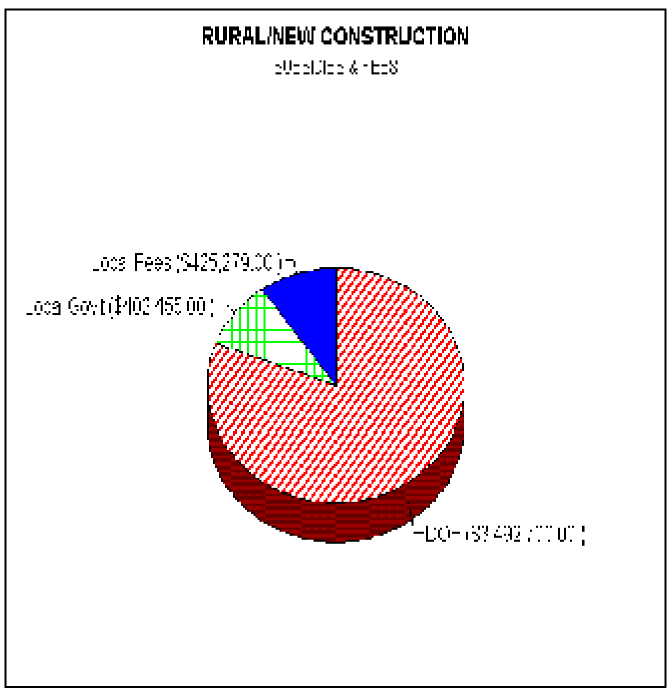
The Division of Housing's approach to encouraging participation from local governments in affordable housing is based on the following three factors:

C A local government's ability to financially or materially contribute to the development of affordable housing;

C Local government policies, regulations, or fees that enhance rather than impact the feasibility of the (re)development of affordable housing;

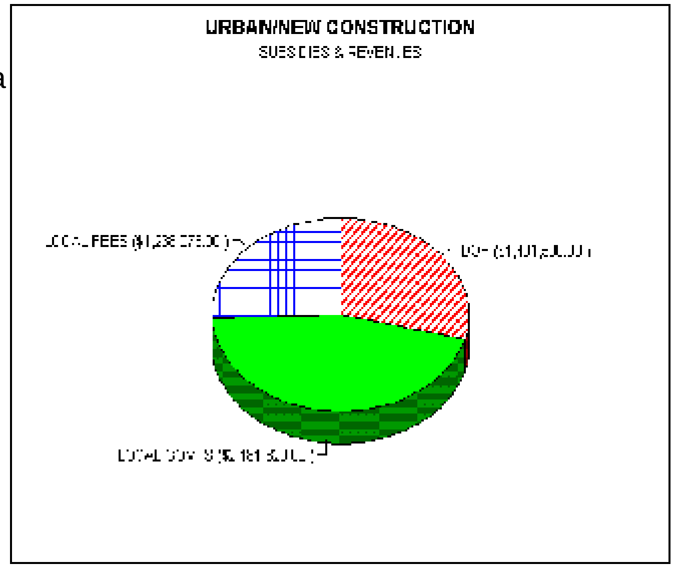
C .Affordable housing is a development priority for the local government and is exhibited by official public actions;

The following are examples of the Division's efforts in meeting the above objectives.

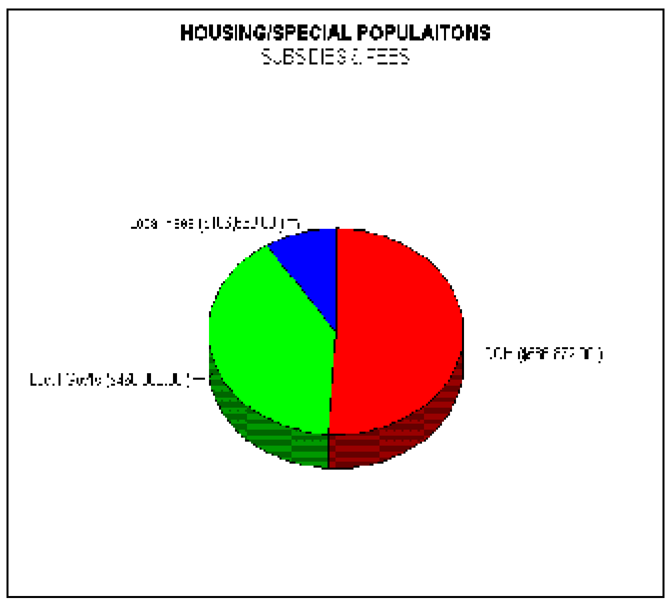


Whether a local government is able to commit general funds or reduce fees depends on their financial strength. Communities unable to financially contribute to affordable housing projects, generally do not have the tax base to contribute general fund revenues. Examples of these communities and projects include: Casa de Cortez, Town of Center; Rio Grande Apartments, City of Alamosa. In some projects, like the Saguache Housing Authority rental development, the Town and County of Saguache may not have the revenues to contribute, but it was able to offer materials and labor to reduce the overall project cost.The accompanying Chart shows that new construction in rural communities requires the Division invest a substantially larger portion of the project cost than local governments. The Division's investment for these type projects totaled $3,492,700 compared to the investment by local governments of $402,455. The local investment compared favorably with the local fees. Fees totaled $425,279 for these projects.

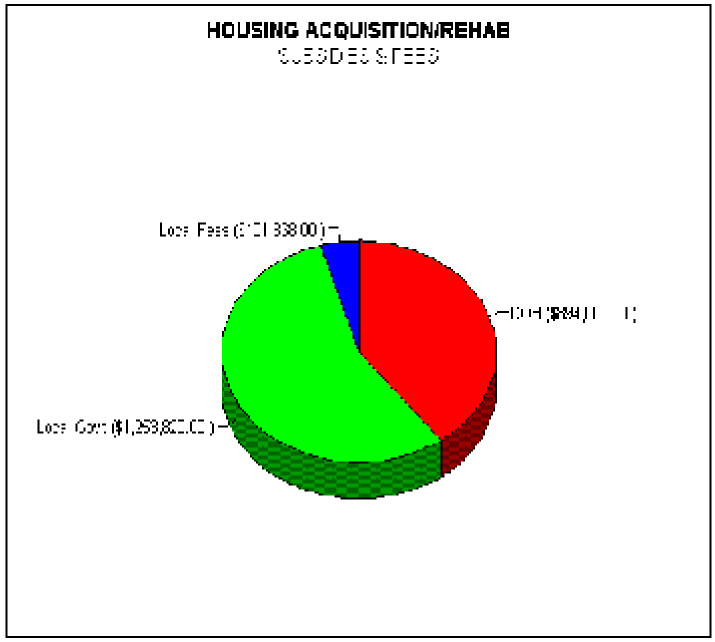
Local governments in larger population centers have revenue to contribute financially to a project, as well as political support to modify regulations for affordable housing development. Examples of substantial local government contributions made to projects include: Hope Communities, City of Denver; Via Lopez, City of Fort Collins. The totals of Division of Housing projects funded for new construction in the larger urban communities totals $1,401,500. The local government contribution to these types of projects totals $2,181,820 and the fees charged total $1,238,073. This comparison supports the Division's emphasis on negotiating higher local support in those communties most likely able to afford the investment.



Developing affordable housing is not politically popular, especially in neighborhoods where housing for special populations are going to live. These developments include housing for developmentally disabled persons, or transitional housing for homeless families. The local governments are often reticent to take a high profile position in support of these projects, but they have offered limited investments. Examples of these projects included: Fenton Townhomes, City of Lakewood; Developmental Pathways, Arapahoe County. The comparative data shows that the Division of Housing invested $586,872, local governments invested $460,000 and local fees from these types of projects totaled $106,639.



The other type of developments that did receive local contributions were existing properties that were being acquired and rehabilitated by non-profit housing organizations. Even though the acquisition and rehabilitation of existing housing stock generates minimal fee revenue, local government did contribute significant amounts towards the project cost. Examples of these types of projects include: Urban Peak, Denver; Adams County Housing Authority; The Energy Office, Grand Junction. The accompanying chart shows the amount of funds invested for housing acquisition and rehabilitation. Local governments often establish development priorities that support preservation of existing housing stock. This is evident by the investment of $1,253,820 by local governments. The Division of Housing invested a total of $894,000. Fees for acquisition and rehab are usualy limited to building permits and plan checks so local fees are minimal at $101,868 for these projects.



Effectiveness of the Division's Efforts

How can you measure the effectiveness of the Division of Housing's technical assistance and project negotiations? The most direct measurement is whether the local government offsets the cost of fees and regulations with financial contributions, although not every community is able to contribute financially. An example of this difference is evident when comparing the Thistle Community Housing in the City of Boulder and the Saguache County Housing Authority rental project in the Town of Saguache.

The Thistle development project in Boulder proposed construction of 57 housing units on 3.6 acres of land in the City of Boulder. The building configuration includes 33 multifamily one and two bedroom units in three buildings and 24 single-family homes. Seven units within the complex will be designed to be handicapped accessible. The one and two bedroom units range in size between 600 to 900 sq ft., and the single family homes range from 1,160 to 1,400 square feet, plus basements. The local fees for this development total $624,345. The average fee per unit is $10,953. The City of Boulder contributed $827,000 to the project. The Division of Housing contributed $201,500 to ensure the affordability of 49 of these units to households earning between 50%-71% of area median income. The Planning Board waived the density limitation for this parcel up to 60 units This allowed Thistle development to build three more units, if necessary. These regulatory costs reflect the complexities of approving housing units with a variety of floor plans, plumbing and electrical variations, and designs that allowed a higher than normal density. The costs also reflect the normal administrative time it takes for plan reviews, building inspections, mechanical reviews and inspections, public service fees, and other costs associated with ensuring the health and safety of the housing units.

In contrast, the Saguache Housing Authority received $207,570 from the Division of Housing, an amount almost equal to the Thistle development project. The total project cost was $990,902 to construct 16 new apartments. The local fees for this project totaled $1,032. This price included two water taps at $500 per tap and a permit fee of $2 per unit. The Division of Housing served as the building inspector for this property. The Division's fees totaled $6,000, but were waived under the authority of state statute. Although the Town and County of Saguache does not have the financial resources of Boulder they did contribute a labor and materials thus reducing the overall cost of development. Most significant was the town's construction of a road to the property. This improvement was valued at $20,000. Additional road cost were saved by the town constructing this road. The town's road averted the need to access the property from the State highway. This would have required far more costly improvements in terms of acceleration and deceleration lanes, greater construction standards, and engineering cost and additional review times. The county contributed fill dirt and other materials to the project which are valued at $43,000.

Local Land Use Revisions

The debate over land use regulations and their impact on housing cost is a current issue being discussed in many Colorado communities. Evidence of this debate can be found in many local newspapers. The May 28th edition of the Eagle Valley Enterprise focused on the new land use regulations being enacted by Eagle County. This article focused on the development of "accessory units" in Eagle County. Under old rules "accessory units" were allowed only on parcels of 35 acres or greater and their size was limited to no more than 1,500 square feet. Under new land use rules "accessory units" can range be as small as 500 square feet in size on parcels of land as small as 1,500 square feet. Presently, Eagle County is revising its land use regulations and these issues are being hotly debated knowing that they may change the face of the urban centers of that county.

In Estes Park, city officials and elected officials are considering loosening restrictions on seasonal leases for area employees. This change would allow the use of area motels and cabin to be leased to seasonal employees for less than the daily rates charged now. It could also alleviate some of the current demand for constructing new affordable housing for the workforce.

The Town of Frisco approved the first step in allowing the development of smaller parcels of land. In this area of the state the cost of land is a major barrier to housing affordability. If the ordinance passes second reading it could pave the way for reduced housing cost. Current Planned Unit Development codes place a cap of 16 units per acre. The new ordinance would relax the density limit if affordable units were included in proposals. Under consideration is a density bonus allowing one additional unit for every four units. Beyond the current debates on changes to comprehensive plans, building code changes, or adopting inclusionary zoning policies a number of communities have already adopted affordable housing policies that directly reduce regulations and fees. As discussed in the opening of this report the City of Longmont adopted an affordable housing program that has become a model for other Colorado communities. Longmont's program recognizes that the local regulatory process plays a major role in determining the cost of housing development. *(3)* The city adopted an incentive program to increase the supply of affordable housing for four income categories: very low income-30% of AMI; low income-50% of AMI; moderate income-80% of AMI; and median income-100% of AMI. For each income group the city identified development objectives appropriate to the purchasing power of each income group. The community's affordable housing policies translated into an incentive program for housing developers. A point system was adopted that correlated to reductions in development fees. The fees' reduction range from 12-15 points = 20% fee reduction to 26 points or more = 100% fee reduction. A summary of the point system is attached as Exhibit 6.

Longmont's program grew out of the development priorities of that community. Acceptance of these policies by the local government staff, local elected officials, and other community leaders is demonstrated in the success of the city's homeownership programs, the increase in supply of affordable rental properties, and the incentives to build affordable housing in all newly annexed subdivisions.

Conclusion

The cost of housing is increased by land use regulations and policies. However, these same regulations and policies protect the health and safety of our neighborhoods and individual homes. The judgment of the benefit of these regulations rests with our local elected officials. It is through a continuing education program of "Best Practices" like the City of Longmont's Affordable Housing Program that local government officials can modify regulations and policies.

- It is recommended that the Division of Housing continue its technical assistance efforts. In the coming year these efforts will focus on distributing the Division's new publication "Reducing Housing Cost Through Regulatory Reform" through workshops jointly sponsored by the Division, Colorado Municipal League, Colorado Counties, Inc., and the Colorado Home Builders Association

- Following the mandate of HB97-1093, it is recommended that workshops detailing the elements of Comprehensive Plans be offered by the Division in concert with the Colorado Chapter of the American Planning Association. These workshops will emphasize the importance of zoning an appropriate supply of land for affordable housing in specific locations and complement existing transportation services, schools, and jobs.

- Preliminary discussions are underway between the Special District's Association and the Colorado Affordable Housing Partnership to draft a proposal giving the option or reduce water or sewer rates for affordable housing, similar to municipal districts.

- It is also recommended that local governments adopt a standard schedule for development fees. This uniform schedule would include a directory of the various local government permits and approval, the location of the review office, the phone numbers, the average review times, and principal staff person.

ENDNOTES

1)*Reducing Housing Costs Through Regulatory Reform: A Handbook For Colorado Communities,* Colorado Division of Housing, Clarion Associates, June, 1998, Page 2

2) *Reducing Housing Costs Through Regulatory Reform: A Handbook For Colorado Communities,* Environmental and Cultural Resource Protection, Colorado Division of Housing, Clarion Associates, June, 1998, Page 14

3) Revisions to the Existing Housing Incentive Program, City of Longmont, 1995

Survey of Division of Housing Funded Projects 1998 to Present **Exhibit 5**

Project #	Project Name	Total Development Cost	DOH Subsidy	Local Gov't Contribution (Y/N)	Local Government Concession				Environmental Mitigation	Total Amt. of Local Government Fee
					Fee Waiver/ Rebate	Zoning Variance	Bldg Code Variance	Permit Reviews		
98-049	Casa de Cortez (Center)	$1,698,777	$173,400	No	No	No	No	No	None	$108,000
98-060	Rio Grande Apts. (Alamosa)	$1,693,377	$168,000	No	No	No	No	No	None	$128,386
98-046	La Puente Housing (Alamosa)	$447,098	$122,000	$14,000	No	No	No	No	None	$23,450
98-038	R.B. Ranch (Westminster)	$116,900	$25,900	$40,000 Westminster $50,000 Jeffco	No	No	No	No	None	Acq. of HUD Property
98-035	Fenton Place Townhmes (Lakewood)	$926,591	$90,972	Yes, Zoning Variance	No	No	Waived Garages	No	None	$46,920
98-063	City of Wray (Towers)	$1,664,474	$480,000	Yes$48,000	Yes	No	No	No	None	$1,000
98-067	Uptown Partnership (Denver)	$964,820	$100,000	Yes $438,820City	No	No	No	No	None	acquisition and rehab
98-075	Sabin Group (Denver)	$1,443,953	$75,000	No	No	No	No	No	None	$54,663
98-080	Urban Peak (Denver)	$973,400	$180,000	Yes $355,000 City	No	No	No	No	None	$900 (acquisition and rehab)
98-036	Developmental Pathways (Arapahoe County)	$803,816	$65,000	No	No	No	No	No	None	$3,556 (acq. and rehab)

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98-017	Urban Peak (Denver)	$796,800	$65,000	Yes 60,000 City	No	Yes	No	No	None	$16,305
98-064	Boulder County	$3,254,480	$300,00	$179,480 County & Louisville	No	No	No	No	None	3,000
98-068	Mercy Housing (Commerce City)	3,250,000	274,000	No	No	No	No	No	None	18,000
99-002	High Plains Dev. (Weld Co.)	1,150,000	200,000	$25,000 Weld Co	Yes-Dacono permit,plan chk-12,500; Sewer - 48K	No	No	No	None	150,000
98-037	Almost Home (Brighton)	179,685	50,000	$20,000 Brighton	No	No	No	No	None	1,500
98-029	Via Lopez (Fort Collins)	3,073,000	110,000	$595,000 Fort Collins	Yes City permit 64K	Yes	No	Yes	Yes - berm: railroad	225,728
98-016	Thistle Comm. Hsg (Boulder)	7,291,490	201,500	$827,000 Boulder Cty	No	Yes	No	No	No	624,345
98-014	High Plains Dev. (Greeley)	2,250,000	125,000	$350,000 Greeley	No	Yes	No	Yes	Yes/hazardous material remediation	61,000
98-004	Adams County H.A.	7,107,000	200,000	$400,000 Adams Co	No	No	No	No	No	12,000

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98-082	SW Comm. Resources (LaPlata Co.)	$7,626,987	$577,500	Yes - $4,355	Yes	Yes	No	Yes	No	$4,355
99-001	The Energy Office (Grand Junction)	$475,925	$188,925	Yes $30,000	No	No	No	No	None	$6,375 acquisition/rehab of existing bldg
98-850	VOA Delta	$3,122,400	$321,000	land sold by Hosp. Dist. $20,000 <mkt.	No	No	No	Yes	None	Acquisition of Existing property
98-032	Senior Hsg Options (Battlement Mesa)	$3,582,222	$500,000	Yes, fees restricted to actual cost of service	Yes	No	No	No	None	$118,100
98-081	Pueblo Housing Authority	$3,450,841	$150,000	$41,800 water/sewer improvemts	Yes	No	No	No	None	-
99-003	Sx4 Holdings (Pueblo Co)	$2,756,083	$225,000	Lots sold by Metro dist for $12,000 below mkt.	No	No	No	No	None	-
97-763	Pueblo Dev Disabled	$3,157,076	$280,000	350,000;City & County	No	No	No	No	None	
97-764	Fremont Co. Hsg. Parts	$3,133,061	$320,000	$37,800 for Street	No	Y/PUD Annexati-on	Yes Accept-ance of pre UBC '97	No	No	$12,613

Project #	Project Name	Total Development Cost	DOH Subsidy	Local Gov't Contribution (Y/N)	Local Government Concession				Environmental Mitigation	Total Amt. of Local Government Fee
					Fee Waiver/ Rebate	Zoning Variance	Bldg Code Variance	Permit Reviews		
98-027	Ray Munoz (City of Pueblo)	$5,951,113	$550,000	Yes, waived tap fees and & Park fee $340,000	Yes	No	No	No	Yes - Erosion Control, Drainage improvements	$177,000
98-011	Saguache County	$990,902	$207,570	$20,000 road $43,000 dirt	Yes -DOH waiver $6,000	No	No	Yes	No	$1,000
98-007	TriCounty (La Junta)	$1,572,805	$209,005	$4,000 Engineering $22,000 Taps $32,500- ½ show home $110,000 land $4,800 Soil test, survey	Yes	Yes	No	No	No	$22,000
99-005	Griego (Pueblo)	$244,000	$65,000	$3,000 Sidewalks	No	No	No	No	No	-